Manitoba

91-07056/

Teachers' Retirement Allowances Fund Board

111 — 1200 Portage Avenue
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June 17, 1991

The Honourable Len Derkach,
Minister of Education and Training,
Room 168, Legislative Building,
Winnipeg, Manitoba,
R3C OV8.

Dear Mister Derkach:

In accordance with subsection 51(3) of The Teachers' Pensions Act, we are pleased to report on our administration of the Teachers' Retirement Allowances Fund for the year ended December 31, 1990. Appended to and forming part of this report are the following:

1. Statement of "Comparative Statistics" of significant aspects of the Fund covering the period from inception in 1925 to the end of 1990.

2. Report of the Provincial Auditor on his examination of the accounts of the Fund for the year ended December 31, 1990, as required by Clause 51(3)(a) of the Act.

3. Financial Statements in respect of the year ended December 31, 1990, as follows:

Exhibit A - Balance Sheet as at December 31, 1990

Exhibit B - Statement of Changes in Benefit Reserves for the year ended December 31, 1990

Exhibit C - Statement of Money Purchase Account for the year ended December 31, 1990

Schedule 1 - Summary of Investments as at December 31, 1990

Schedule 2 - Summary of Investment Income for the year ended December 31, 1990

Notes to the Financial Statements for the year ended December 31, 1990.

4. Actuarial Valuation Balance Sheet as at January 1, 1990.

INVESTMENTS

Under the Act, investments are made as directed by the Investment Committee, composed of the Chairman and a "teacher" member of the Board and the Deputy Minister of Finance for the Province. The Committee held 7 formal meetings during 1990 and the results of its decisions are portrayed in the following paragraphs. There was a net increase in the amount invested in every asset class except cash. The percentage of total investments representing longer term fixed income securities increased by 2.9% to 64.8%, and non-fixed income investments increased by .3% to 22.6%. The increases in both of these asset classes were offset by a decrease in short term investments of 3.2%.

During 1990, invested assets increased by more than $74,000,000. This amount along with over $17,000,000. of funds received from securities sold or matured was invested as follows:

	% of Total	Cost (thousand $)	Average Yield %
Bonds - Canadas	10.8	$ 9,800,	10.29
- Provincials	14.1	12,740.	10.82
- Corporates	20.6	18,690,	11.58
Total Bonds	45.5	41,230.	11.04
Mortgages - Insured, NHA (regular)	31.7	28,840,	11.12
- Insured, NHA (index linked)	10.9	9,900,	5.14 + CPI
Total Mortgages	42.6	38,740,	
Total Fixed Income	88.1	79,970,	
Equity Investments			
International Equity	11.0	10,000,	*
Real Estate	6.0	5,452,	*
Direct Natural Resources	6.1	5,512,	*
Venture Capital	1.8	1,685,	*
Total Equity	24.9	22,649,	
Total Longer Term Investment	112.9	$102,649,	
Short Term Investment	(12.9)	(11,770,)	
Total New Investment	100.0	$ 90,849,	

* Rates of return to be achieved on these 4 asset classes cannot be predetermined as they are obtained through future rentals, product sales, dividends, interest payments, and net capital gains at time of sale. Over the longer term, investments of these types have historically yielded greater returns than fixed income investments.

As investments in real estate, mortgages, venture capital and direct acquisition of natural resource assets require advance commitment of funds which are paid out during or on completion of construction or as required to fund venture capital or natural resource acquisitions, over $40,000,000. of unfunded commitments were in place at the end of the year, as follows:

	Amount (thousand $)	Average Yield
Mortgages:		
- Insured, NHA - regular	$ 3,952,	11.15%
- Insured, NHA - index linked	20,480,	5.42% + CPI
Real Estate Equity	284,	
Direct Natural Resources	7,205,	
Venture Capital	1,839,	
International Equity	8,000,	
Total Commitments	$ 41,760,	

The rate of return on average net assets of the Fund decreased in 1990 to 9.80% from 11.45% in the preceding year.

PENSIONS

During the year there was a net increase of 211 in the number of people receiving retirement income and other monthly benefits. The following is a summary analysis of the number of persons receiving different types of retirement income benefits at December 31, 1990:

Regular service pensions -	
to retired teachers	4,005
to dependants or estates of deceased retired teachers	150
Disability pensions -	
to retired disabled teachers	90
to dependants or estates of deceased retired disabled teachers	6
Death benefits - to surviving spouses or children of deceased teachers	96

Special annuities -	
to former teachers of retirement age not entitled to regular pensions	255
	4,602

ACTUARIAL VALUATION

Subsection 45(4) of the Teachers' Pensions Act requires that an actuarial appraisal of the Fund be made every 3 years. The Actuary's report on the appraisal of the Fund at January 1, 1990, was recently received and a copy was forwarded to your office. A copy of the Valuation Balance Sheet at January 1, 1990, accompanies and forms part of this report.

The valuation is concerned only with the assets and liabilities attributable to "Account A" because all other components of the Fund are structured in such a manner as to make them self-supporting. Essentially, "Account A" is supported by teacher contributions and investment earnings, and is responsible for the payment of one-half of the cost of pension benefits provided for under the Act, as well as the cost of administering the plan. The remaining half cost of pension benefits is billed to the Province when the pension payments are made.

The previous valuation on January 1, 1987 revealed a surplus of $29,412,601. The January 1, 1990 valuation shows Account A in a surplus position of $60,050,244. In his analysis of the actuarial experience of the Fund and its members during the 3 years covered by the report, the Actuary determined that actual investment earnings and salary increases were significantly more favorable to the Fund than had been expected based on previous experience. This positive actual experience is the major factor for the increase in surplus during the period.

The members of the Board and the Actuary both recommend that it is essential to ensure that the Pension Adjustment Account be able to finance increases in pensions at rates which are as favorable as the rates of increases granted in the past before any other use of the surplus is made.

We are pleased to report that the Actuary has certified that "the assets of Account A, together with the contributions expected to be received from and on behalf of the teachers, who are participating in the Fund, are sufficient to provide the benefits promised by the Act as they fall due".

BOARD MEMBERSHIP

During the year, Mr. David Lerner and Mr. Ray Whiteway were reappointed members of the Board. We wish to record our appreciation for the continuing contribution of these members to the administration of the Fund.

Respectfully submitted:

THE TEACHERS' RETIREMENT
ALLOWANCES FUND BOARD,

BY James G. Oborne, Chairman,

Members:

(1) George Strang, Vice Chairman
(1) David Lerner
(1) Anne Monk
Lorne Ross
(2) Stephanie Shumilak
(2) Ray Whiteway

(1) Nominated by The Manitoba Teachers' Society
(2) Nominated by The Manitoba Association of School Trustees

TEACHERS' RETIREMENT ALLOWANCES FUND BOARD
COMPARATIVE STATISTICS
1925 - 1990

Year Ended June 30	Net Assets	Income From Investments			CONTRIBUTIONS			Admin. Expenses	Refunds	Pensions			
			Approx. Rate of Return %	Number of Teachers Contributing	Teachers	Province of Manitoba	School Districts			Cost	Being Paid at end of period	Added during period	Deleted during period
	($ 000)	($ 000)			($ 000)	($ 000)	($ 000)	($ 000)	($ 000)	($ 000)			
1925-1948	1,866,	628,	4.00		1,761,	248,	--	33,	279,	464,	109	192	83
1949-1965	28,084,	7,973,	3.25-5.00	9,000	17,806,	4,287,	4,683,	342,	3,771,	8,759,	960	1,207	356
1966.....	30,387,	1,427,	5.00	9,400	2,962,	538,	287,	39,	803,	2,072,	1,032	102	30
1967.....	33,746,	1,574,	5.15	9,750	2,972,	1,017,	11,	44,	859,	2,251,	1,084	88	36
1968.....	36,839,	1,735,	5.35	10,650	3,655,	1,227,	20,	57,	904,	2,594,	1,155	120	49
1969.....	40,627,	2,008,	5.50	11,150	4,332,	1,394,	12,	56,	990,	2,906,	1,253	138	40
1970.....	44,828,	2,320,	5.60	11,650	4,710,	1,578,	13,	64,	1,116,	3,261,	1,357	143	39
6 mos. ended Dec. 31, 1970	46,311,	1,369,	6.00	11,750	1,806,	1,280,	5,	31,	649,	2,310,	1,458	124	23
year ended Dec. 31,													
1971.....	52,119,	3,125,	6.19	12,100	5,620,	3,123,	16,	90,	1,048,	4,955,	1,606	195	47
1972.....	60,249,	3,977,	6.40	12,000	6,281,	3,841,	10,	114,	1,244,	5,670,	1,737	182	51
1973.....	68,188,	3,996,	6.53	12,200	6,982,	6,100,	9,	123,	1,186,	7,076,	1,980	293	50
1974.....	77,256,	3,078,	4.43	12,300	7,862,	8,755,	8,	136,	1,449,	8,957,	2,176	244	48
1975.....	89,277,	7,008,	8.94	12,400	9,316,	7,538,	6,	168,	1,385,	10,661,	2,289	171	58
1976.....	101,988,	8,090,	8.91	12,500	10,656,	8,519,	5,	215,	1,471,	12,388,	2,416	175	48
1977.....	117,140,	9,260,	8.91	12,600	12,348,	9,322,	5,	290,	1,449,	14,018,	2,524	161	53
1978.....	137,127,	12,007,	9.91	12,716	14,538,	9,985,	11,	261,	1,499,	15,489,	2,649	187	62
1979.....	159,066,	14,917,	10.60	12,533	16,292,	10,859,	4,	292,	1,817,	17,212,	2,789	196	56
1980.....	184,458,	17,181,	10.53	12,471	18,065,	11,848,	5,	358,	2,174,	19,050,	2,935	218	72
1981.....	222,755,	22,877,	14.02	12,805	25,985,	12,617,	--	404,	2,191,	20,867,	3,007	143	71
1982.....	272,360,	27,991,	11.96	12,907	26,293,	13,912,	--	493,	2,210,	23,054,	3,117	194	84
1983.....	316,200,	29,139,	10.45	12,915	27,557,	15,183,	--	549,	2,027,	25,519,	3,239	197	75
1984.....	360,060,	28,579,	8.86	13,111	29,580,	16,453,	--	660,	1,980,	28,522,	3,355	213	97
1985.....	414,458,	39,506,	10.85	13,287	31,214,	18,184,	--	709,	1,914,	32,092,	3,542	260	73
1986.....	475,214,	46,935,	11.25	13,763	32,890,	20,423,	--	828,	1,744,	36,771,	3,733	291	100
1987.....	534,874,	47,682,	9.90	14,115	33,667,	22,496,	--	961,	2,013,	41,885,	3,970	330	93
1988.....	600,908,	54,978,	10.00	14,258	34,966,	25,523,	--	1,198,	3,133,	47,043,	4,176	303	97
1989.....	678,450,	68,367,	11.45	14,133	36,795,	28,042,	--	1,182,	2,767,	52,057,	4,391	306	91
1990.....	753,803,	67,665,	9.80	14,561	38,521,	32,379,	--	1,385,	2,697,	58,019,	4,602	316	105

Office of
the Provincial Auditor

905 - 386 Broadway
Winnipeg, Manitoba, CANADA
R3C 3R6

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

We have audited the balance sheet of The Teachers' Retirement Allowances Fund as at December 31, 1990 and the Statements of Changes in Benefit Reserves and Money Purchase Account for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 1990 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements.

Fred W. Jackson

F. H. Jackson, CA
Provincial Auditor

Winnipeg, Manitoba
May 13, 1991

Exhibit A

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Balance Sheet
as at December 31, 1990
(with 1989 figures for comparison)

A S S E T S

	1990	1989
	(thousands of dollars)	
Cash on hand	$ --	$ 357
Investments, Schedule 1	738,513	664,082
Unamortized net adjustment to book value of securities sold before maturity	--	20
Accrued interest on investments	8,207	7,072
Investment income receivable	3,214	2,751
Teachers' contributions receivable from school divisions	3,016	2,814
Receivable from Government of the Province of Manitoba	1,438	1,098
Computer and office equipment, at cost less accumulated amortization of $164 (1989 - $95) Note 2(F)	241	256
	$754,629	$678,450

L I A B I L I T I E S

Bank overdraft	$ 44	$ --
Unamortized net adjustment to book value of securities sold before maturity	1	--
Accounts payable	781	626
Money Purchase Account, Note 3, Exhibit C	159	100
Provision for Fund's share of employees' pension benefits, Note 2(E)	878	774
	1,863	1,500
Benefit Reserves, Exhibit B:		
Reserves for teachers' share of benefits:		
Basic	690,593	620,844
Pension indexing adjustments, Note 2(C)	59,944	54,051
Reserves for employers' share of benefits:		
Manitoba Teachers' Society	2,062	1,892
Manitoba Association of School Trustees	167	163
	752,766	676,950
	$754,629	$678,450

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Exhibit B

Statement of Changes in Benefit Reserves
for the year ended December 31, 1990
(with 1989 figures for comparison)

	1990					1989
						(thousands of dollars)
	Reserve for Teachers' Share of Benefits		Reserve for Employers' Share of Benefits			
	Basic	Pension Indexing Adjustments	Manitoba Teachers' Society	Manitoba Association of School Trustees	Total	Total
Additions:						
Contributions:						
Teachers	$ 32,308	$ 6,213	$ --	$ --	$ 38,521	$ 36,795
Province of Manitoba:						
Share of benefits charged	30,654	--	--	--	30,654	26,317
Re: Actuarial liability created by 1970 and 1973 amendments	1,613	--	--	--	1,613	1,613
Prior rural service of certain Winnipeg teachers	112	--	--	--	112	112
Manitoba Teachers' Society	--	--	69	--	69	86
Manitoba Association of School Trustees	--	--	--	6	6	13
Other: Transfers under reciprocal agreements	2,212	--	--	--	2,212	2,103
Transfer from Money Purchase Account, Exhibit C	76	--	--	--	76	--
Total contributions	66,975	6,213	69	6	73,263	67,039
Investment Income, Schedule 2, Note 2	61,087	6,378	185	15	67,665	68,367
Total additions	128,062	12,591	254	21	140,928	135,406
Deductions:						
Pensions paid	51,220	6,698	84	17	58,019	52,057
Refunds	2,697	--	--	--	2,697	2,767
Transfers under reciprocal agreements	3,011	--	--	--	3,011	1,983
Administrative expenses, Schedule 3	1,385	--	--	--	1,385	1,182
Total deductions	58,313	6,698	84	17	65,112	57,989
Net increase for year	69,749	5,893	170	4	75,816	77,417
Balance at beginning of year	620,844	54,051	1,892	163	676,950	599,533
Balance at end of year, Exhibit A	$690,593	$59,944	$2,062	$167	$752,766	$676,950

Exhibit C

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Statement of Money Purchase Account for the year ended December 31, 1990 (with 1989 figures for comparison)

	1990	1989
	(thousands of dollars)	
Additions:		
Deposits	$121	$ 26
Allocation of interest income net of administration fee	14	9
	135	35
Deductions:		
Transfer to basic reserve upon election of annuity, Exhibit B	76	--
Increase for the year	59	35
Balance at beginning of year	100	65
Balance at end of year, Exhibit A	$159	$ 100

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Summary of Investments as at December 31, 1990 (with 1989 figures for comparison)

	1990		1989
	(thousands of dollars)		
	Par Value	Book Value	Book Value
Fixed income investments, Note 2(B)(i):			
Bonds and other debt instruments issued by, or guaranteed by, the following:			
Canada	$106,296	$ 81,628	$ 71,433
Province of Alberta	--	--	50
Province of British Columbia	3,115	1,603	1,672
Province of Manitoba	26,476	26,457	22,457
Province of New Brunswick	765	764	813
Province of Newfoundland	975	971	971
Province of Nova Scotia	220	219	219
Province of Ontario	22,922	19,635	12,982
Province of Prince Edward Island	690	684	683
Province of Quebec	--	--	300
Province of Saskatchewan	2,550	2,526	649
Hospital districts	5,807	5,806	5,994
Municipal corporations	8,225	8,216	9,514
Corporations	103,626	101,571	88,908
	281,667	250,080	216,645
Mortgages:			
Insured:			
National Housing Act (Canada)-regular	153,488	153,249	128,963
National Housing Act (Canada)-index linked	63,790	63,790	52,925
Other	2,257	2,257	2,432
Uninsured	14,020	14,019	14,305
	233,555	233,315	198,625
Total fixed income investments at amortized cost		483,395	415,270
Less: Provision for capital losses		4,560	3,947
Net fixed income investments, carried forward		$478,835	$411,323

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Summary of Investments as at December 31, 1990 (with 1989 figures for comparison)

	1990	1989
	(thousands of dollars)	
	Book Value	Book Value
Brought forward	$478,835	$411,323
Non-fixed income investments, Note 2(B)(ii):		
Real estate equity investments:		
Common shares	36,318	35,515
Participating bonds	76,310	70,702
Qualifying shares	96	60
Total real estate equity investments, at appraised values	112,724	106,277
Less: Provision for valuation declines	12,375	12,387
Net real estate equity investments	100,349	93,890
Direct natural resource investments: Shares and notes, at cost plus interest in retained earnings	31,403	29,399
Venture capital equity investments, at appraised values	25,014	24,534
Less: Provision for valuation declines	1,169	1,016
Net venture capital equity investments	23,845	23,518
International equity investments	10,000	--
Real estate acquired through mortgage defaults	1,381	1,482
Total non-fixed income investments	166,978	148,289
Short term notes, at cost	92,700	104,470
Total Investments, Exhibit A	$738,513	$664,082

Schedule 2

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Summary of Investment Income
for the year ended December 31, 1990
(with 1989 figures for comparison)

	1990	1989
	(thousands of dollars)	
Fixed income investments, Note 2(B)(i):		
Interest	$44,527	$36,567
Amortization of discounts and premiums	4,847	4,374
	49,374	40,941
Less: Allocation to provision for capital losses	657	965
	48,717	39,976
Non-fixed income investments, Note 2(B)(ii):		
Real estate equity:		
Interest and dividends	6,698	6,455
Adjustment due to changes in book value of investments	1,055	5,748
	7,753	12,203
Direct natural resources:		
Dividends	2,598	1,493
Adjustments due to changes in book value of investments	(1,721)	(504)
	877	989
Venture capital equity:		
Income	660	674
Adjustments due to changes in book value of investments	(2,986)	414
	(2,326)	1,088
Canadian Commercial Bank:		
Proceeds from sale of assets, Note 4	--	181
Income from real estate acquired through mortgage defaults	95	483
Short term notes:		
Interest	12,646	13,534
Total investment income	67,762	68,454
Allocated to:		
Provision for Fund's share of employees' pension benefits	(83)	(78)
Money Purchase Account, net of administration fee	(14)	(9)
Net Investment Income, Exhibit B	$67,665	$68,367

Schedule 3

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Administrative Expenses
for the year ended December 31, 1990
(with 1989 figures for comparison)

	1990	1989
	(thousands of dollars)	
Salaries	$ 776	$ 680
Staff Benefits	108	100
Actuary	126	64
Bank Expenses	7	8
Board Expenses	11	10
Courier	8	8
Data Processing	84	69
Investment Quotation Data	30	30
Miscellaneous	19	12
Office Furniture	5	1
Printing and Stationery	28	26
Professional Fees	39	135
Rent	20	--
Report to Members	71	9
Telephone	24	21
Travel and Conferences	29	20
	1,385	1,193
Less, miscellaneous revenues	--	11
Balance at end of year, Exhibit A	$1,385	$1,182

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Notes to the Financial Statements for the year ended December 31, 1990

1. **Nature of the Organization:**

The Teachers' Retirement Allowances Fund Board was originally constituted under an Act passed at the 1925 session of the Legislature and is responsible for administering the current legislation, The Teachers' Pensions Act. The Act provides for the establishment and maintenance of a pension plan and fund to provide retirement security for all public school teachers in Manitoba.

The Teachers' Retirement Allowances Fund primarily consists of contributions made by teachers and provides funds to meet half the cost of retirement benefits.

2. **Significant Accounting Policies:**

The significant accounting policies are summarized below:

(A) The Fund follows the accrual basis of accounting in all cases where the amount of the accrual is material, specifically teacher contributions and investment income.

(B) The investment valuation and income measurement policies consist of:

(i) Fixed income investments:

Income on fixed income investments includes the net effect of amortization of discounts and premiums on securities held as well as amortization of book losses on bonds sold before maturity in order to acquire other securities for an increase in net yield. The premiums, discounts and book losses are amortized on an effective yield basis over the remaining term to maturity.

One quarter of 1% of the weighted average monthly book value during the year of fixed income investments, to a maximum of 1% of the average book value of applicable fixed income investments, is allocated to a provision for capital losses and any actual losses realized are charged against the provision.

(ii) Non-fixed income investments:

Where valuation information is available, which is considered by management to be reliable, non-fixed income investments are adjusted to reflect the change in their values. One-half of any unrealized appreciation is taken into income in the year and the balance is credited to the provision for valuation declines. In any year that the valuations decrease, the whole of the decrease is charged to the provision. The portion of any valuation decline exceeding the provision balance is charged to income. When an investment is sold, the balance in the provision pertaining to the investment sold is transferred to income.

(a) Direct natural resource investments:

Direct natural resource investments are valued at cost plus or minus the Fund's share of retained earnings or deficit.

(b) Real estate acquired through mortgage defaults:

Properties taken over by the Fund as a result of mortgage defaults are recorded at cost. The Fund is in the process of disposing of these properties.

(C) Pension indexing adjustment reserve:

An allocation of teachers' contributions is made to the reserve in accordance with the Act. Interest is allocated to the reserve on the basis of the average rate earned by the Fund on all fixed income investments in the Fund.

Cost of living pension adjustment payments are calculated effective July 1 in each year and are based on the lesser of the increase in the Canadian Consumer Price Index for the preceding calendar year, or the amount, determined by an actuarial review, that could be paid without resulting in an unfunded liability in the reserve.

(D) Actuarial valuation:

The financial statements do not reflect the financial position of the Fund on an actuarial valuation basis. In accordance with the Act, an actuarial valuation and report is required every 3 years. The most recent actuarial report as at January 1, 1990, disclosed a surplus of $60,050,244 compared to a surplus of $29,412,601 at January 1, 1987.

(E) Provision for Fund's share of employees' pension benefits:

Employees of The Teachers' Retirement Allowances Fund Board are pensionable under The Civil Service Superannuation Fund. A portion of the Fund has been allocated to provide for the employer's share of the accrued liability for its employees' pension benefits. An Actuarial valuation and report of the Fund's liability to the Civil Service Superannuation Fund is prepared every three years. This report also provides a formula to update the liability on an annual basis. The most recent actuarial report as at December 31, 1989 indicated that the liability of the Fund on an indexed basis, was $762,200. Transactions affecting the Provision in 1990 and 1989 were as follows:

	1990	1989
Balance, beginning of year.....	$773,756	$680,070
Required employer contributions charged to administrative expenses.....	43,112	36,537
Interest allocated from investment income.....	83,179	78,208
	900,047	794,815
Less: Fund's share of pension payments.....	21,758	21,059
Balance, end of year.....	**$878,289**	**$773,756**

(F) Computer and office equipment:

Computer equipment, office equipment and software acquisitions are capitalized and amortized on a straight line basis over five years.

3. **Money Purchase Account:**

The Teachers' Retirement Allowances Fund Board has established rules for the Money Purchase Account in accordance with Section 74 of The Teachers' Pensions Act. Under these rules, eligible individuals may transfer to the Money Purchase Account an amount from the Fund, the pension plan of a prior employer, or a locked-in registered retirement savings plan, to provide for an annuity or other settlement in the future. The Money Purchase Account is accounted for separately by the Board. The Board charges an annual administrative fee of 1% of the average value of the assets in the plan. The accumulated value of the eligible individual's account, upon election of an annuity under the Money Purchase Account, is transferred to the Teachers' Basic Benefit Reserve.

4. **Proceeds from Sale of Assets:**

The failure of the Canadian Commercial Bank in 1985 resulted in the write down of the Fund's investment in that bank to $1. Legal action taken on behalf of the Fund produced a partial return of capital of $180,595 in 1989. There were no returns of capital in 1990.

TEACHERS' RETIREMENT ALLOWANCES FUND

Account A

Valuation Balance Sheet as at January 1st, 1990

ASSETS		
Invested Assets (Note A)		
Fixed Income (at adjusted amortized cost)	$523,242,000	
Equities (at adjusted cost, equity or adjusted appraised value)	52,917,000	
Real Estate Equities (at adjusted appraised value)	95,372,000	$ 671,531,000
Less:		
Amount applicable to:		
Pension Adjustment Account	$ 54,051,000	
Money Purchase Account	100,000	
Reserves for employer's share of benefits - Manitoba Teachers' Society	1,892,000	
- Manitoba Association of School Trustees	163,000	
Reserve for Fund's share of employees' benefits	774,000	56,980,000
		$ 614,551,000
Outstanding Contributions and Other Accounts Receivable (Note B)		6,663,000
Computer Equipment at Cost		256,000
Value of Future Payments due from the Province under subsection 45(6) and 45(7) (Note C)		18,637,600
Value of Future Payments due from the Province under Section 57 (Note D)		705,700
Value of Future Contributions expected to be received from present teachers		475,730,800
Value of Future Contributions expected to be received from present teachers after becoming disabled		22,828,500
TOTAL ASSETS		$1,139,372,600

LIABILITIES

Value of Liabilities in respect of Current Benefits (Note E)			
- healthy retirement pensions		$171,547,100	
- disabled retirement pensions		924,800	
- survivors' pensions		4,009,800	
- balance of guarantee		85,300	
- Winnipeg deferred pensions and war service pensions		26,000	$ 176,593,000
Value of Liabilities in respect of Future Benefits expected to be provided for service to December 31st, 1989 by present teachers			
- healthy retirement pensions	$340,547,700		
less: reduction re: Winnipeg service (Note F)	883,600	$339,664,100	
- retirement pensions for disabled teachers (Note G)		27,324,800	
- cash settlements and annuities on death		7,524,000	
- cash settlements and deferred pensions on termination		38,310,100	
- value of 50% tests		518,100	413,341,100
Value of Liabilities in respect of Future Benefits expected to be provided for service on and after January 1st, 1990 by present teachers			
- healthy retirement pensions		$368,310,300	
- retirement pensions for disabled teachers (Note G)		52,686,200	
- cash settlements and annuities on death		13,318,300	
- cash settlements and deferred pensions on termination		44,141,900	
- value of 50% tests		934,500	479,391,200
Value of additional payments as a result of Reciprocal Agreements			3,329,900
Value of Liabilities in respect of Service to be Reinstated			599,800
Miscellaneous Liabilities (Note H)			2,540,156
Accounts Payable			626,000
Provision for Administrative Expenses in 1990, 1991 and 1992			2,901,200
TOTAL LIABILITIES			$1,079,322,356
SURPLUS			$ 60,050,244

The following notes provide an explanation of certain items which appear on the Valuation Balance Sheet:

(A) Invested Assets.

The Invested Assets were obtained from the Auditor's Report as at December 31st, 1989. These amounts were allocated as follows:

Fixed Income Investments		
- at amortized cost		$415,270,000
- provision for capital losses		(3,947,000)
- unamortized adjustment to book value of securities sold before maturity		20,000
- accrued interest		7,072,000
- short-term notes at cost		104,470,000
- cash in bank		357,000
Adjusted Amortized Cost		$523,242,000
Equity Investments		
Direct natural resource investments:		
- shares and notes at cost plus interest in retained earnings		$ 29,399,000
- venture capital equity investments at appraised values	$ 24,534,000	
- provision for valuation declines	(1,016,000)	23,518,000
Total Value		$ 52,917,000
Real Estate Equity Investments		
- at appraised value	$106,277,000	
- provision for valuation declines	(12,387,000)	$ 93,890,000
- real estate acquired through mortgage defaults		1,482,000
Adjusted Appraised Value		$ 95,372,000
Total Invested Assets		$671,531,000

Reconciliation of Total of Invested Assets Shown in this Report to Total of Investments Shown in Financial Statements

Total of Invested Assets shown in this Report		$671,531,000
Less: Amounts shown separately in financial statements		
- unamortized adjustment to book value of securities sold before maturity	$ 20,000	
- accrued interest	7,072,000	
- cash in bank	357,000	(7,449,000)
Total of Investments shown in Financial Statements		$664,082,000

(B) Outstanding Contributions and Other Accounts Receivable.

Investment income receivable	$ 2,751,000
Balance of teacher and School Division contributions owing by School Divisions	2,814,000
Receivable from Province of Manitoba	1,098,000
Total	$ 6,663,000

These amounts were also obtained from the Auditor's Report as at December 31st, 1989.

(C) Value of Future Payments due from the Province under subsection 45(6) and 45(7).

The present values of the annual payments specified in the Act have been calculated by discounting each future payment from the date it is scheduled to be made back to January 1st, 1990, at the rate of 9.25% per year.

Present value of future payments under subsection 45(6)	$ 4,545,900
Present value of future payments under subsection 45(7)	14,091,700
Total	$18,637,600

(D) Value of Future Payments due from the Province under Section 57.

The Province pays the cost of providing an annual pension of $50 per year of service to each former Winnipeg teacher in respect of any service in a school district or school area outside of the Winnipeg district, prior to the teacher joining The Winnipeg Teachers' Pension Fund.

The value of the future payments to be made by the Province is equal to the value of these pensions. This value was calculated as an amount equal to $705,700 as at January 1st, 1990.

(E) Value of Liabilities in respect of Current Benefits.

These values include the value of all supplementary pensions as well as the value of the pensions in payment as at December 31st, 1989. Pension adjustments granted since 1977 are excluded as the Pension Adjustment Account is responsible for these.

(F) Reduction in Value of Retirement Pensions re: Winnipeg Service.

Under the former Winnipeg Pension By-law, teachers contributed to a Government Annuity Plan. As a result, the Fund does not have any assets in respect of these contributions.

Any pension provided from the Fund is reduced by an amount equivalent in value to the contributions which the Fund would have received had contributions been made to the Fund instead of the Government Annuity Plan.

The reduction in the liabilities of $883,600 is equal to the additional assets which it is estimated Account A would have had at the valuation date if Winnipeg teachers had contributed to the Fund throughout their service.

(G) Retirement pensions for disabled teachers is the value of the pensions expected to be paid to those participants who become disabled prior to retirement.

(H) Miscellaneous Liabilities.

Voluntary contributions made by teachers, plus interest	$2,482,248
Refund of contributions due, but not paid as at January 1st, 1990	57,908
Total	$2,540,156